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MARKET EXPECTATIONS SURVEY

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The U.S. economy added 661,000 jobs in September, based on a survey of employers, below the consensus expectation for a gain of 850,000. Job growth remains solid as the economy continues to recover from the Viral Recession, but the pace of job gains has steadily slowed since June. Job growth in August was revised higher by about 100,000 to 1.489 million, while July job growth was revised slightly lower to 1.761 million. After losing 22.2 million jobs in March and April, the U.S. has added back 11.4 million, equaling just over one-half, of those lost jobs.

The unemployment rate fell to 7.9 percent in September, from 8.4 percent in August and a peak of 14.7 percent in April. But the rate of decline in the unemployment rate has also been slowing. And the decline in the unemployment rate in September came for the wrong reason, largely from an exodus of discouraged workers from the job market. Almost 700,000 people dropped out of the labor force in September, likely discouraged by a lack of jobs. In a survey of individuals, different from the survey of employers, employment rose by 275,000 in September.

The private sector added 877,000 jobs in September, while government employment fell by 221,000. All major private industries added jobs over the month. The drop in government employment came primarily from state and local governments; federal government employment is set to fall through the end of the year as the delayed Census winds down.

The labor market is recovering from the Viral Recession, but the pace of improvement is weakening. Temporary business closures earlier in the year were reversed and many businesses rehired their workers, leading to very strong jobs gains in the late spring and early summer. But the low-hanging fruit has been picked, and the job market recovery will slow further going forward. Some businesses remain closed, and others have again shut down; the longer they remain closed, the more difficult it will be for them to reopen. Other businesses are just hanging on.

One-third of businesses polled in PNC's recent semiannual survey of small and mid-size businesses say that they would close in a year or less if current conditions continue. And other firms are laying off workers because of weak demand, as seen in Disney's announcement earlier this week that is cutting 28,000 jobs and large job cuts by several airlines. PNC expects still-solid job growth in the near term, but the pace of gains will slow further through the rest of this year and in 2021. The unemployment rate will continue to fall, but at a slower pace, ending this year at around 7 percent.

Risks to the job market are to the downside. The announcement that President Trump has the coronavirus has added further uncertainty to an already chaotic environment, and stock prices are lower this morning but off the opening lows on the news. A surge in coronavirus cases in late 2020 could lead to further business closures. An inability to pass additional fiscal stimulus—including aid to households, small and mid-size businesses, and state and local governments—is another downside risk.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept ISM-NMI (10/5, Monday) Range: 54.5 to 58.0 Median: 56.3	56.9 (Aug)	Up slightly to 57.
Aug Trade Balance (10/6, Tuesday) Range: -\$67.3 to -\$61.8 billion Median: -\$66.0 billion	-\$63.6B (July)	A widening to -\$67.3.
Aug Consumer Credit (10/7, Wednesday) Range: \$10.0 to \$18.0 billion Median: \$14.1 billion	\$12.2B (July)	Up \$14 billion.
Initial Claims, Week of 10/3/20 (10/8, Thursday) Range: 790,000 to 855,000 Median: 820,000	837K (Week of 9/26/20)	Down to 825K.
Sept CPI (10/13, Tuesday) Range: 0.0 to 0.4 percent Median: 0.2 percent	0.4% (Aug)	Up 0.2 percent. Gasoline prices up 0.5 percent but headed lower through year-end.
Sept CPI (ex-food & energy) (10/13, Tuesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.4% (Aug)	Up 0.2 percent.
Sept PPI (10/14, Wednesday) Range: 0.1 to 0.3 percent Median: 0.2 percent	0.3% (Aug)	Up 0.2 percent.
Sept PPI (ex-food & energy) (10/14, Wednesday) Range: 0.1 to 0.4 percent Median: 0.2 percent	0.4% (Aug)	Up 0.3 percent.
Sept Export Price Index (10/15, Thursday) Range: -0.3 to 0.5 percent Median: 0.4 percent	0.5% (Aug)	Up 0.5 percent.
Sept Import Price Index (10/15, Thursday) Range: -0.4 to 0.7 percent Median: 0.4 percent	0.9% (Aug)	Up 0.3 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
Sept Retail Sales (10/16, Friday) Range: 0.2 to 1.4 percent Median: 0.5 percent	0.6% (Aug)	Up 1.0 percent as new vehicle sales rose strongly.
Sept Retail Sales (ex-auto) (10/16, Friday) Range: 0.2 to 0.9 percent Median: 0.5 percent	0.7% (Aug)	Up 0.7 percent.
Sept Industrial Production (10/16, Friday) Range: 0.2 to 1.0 percent Median: 0.3 percent	0.4% (Aug)	Up 0.7 percent. Manufacturing up 0.5 percent and oil and gas production rebounded after the hurricane related shutdowns in late-August.
Sept Capacity Utilization (10/16, Friday) Range: 71.4 to 72.2 percent Median: 71.7 percent	71.4% (Aug)	Up to 72.0 percent.
Aug Business Inventories (10/16, Friday) Range: 0.0 to 0.5 percent Median: 0.2 percent	0.1% (July)	Up 0.4 percent. Sales up 0.7 percent so the I/S ratio moved lower.
Oct U. Mich. Consumer Sentiment (prelim) (10/16, Friday) Range: 78.0 to 82.0 Median: 81.0	80.4 (Sept)	Up to 82.

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MONTHLY CALENDAR OF ECONOMIC DATA

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Sept/Oct 2020

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
21	22	23	24	25
	EXISTING HOME SALES(000) June 4.700 July 5.860 Aug 6.000		NEW HOME SALES(000) June 841 July 965 Aug 1,011	ADV DURABLE GOODS <u>Total</u> <u>Ex-Transp</u> June 7.7% 4.0% July 11.7 3.2 Aug 0.4 0.4
28	29	30	Oct 1	2
	CASE-SHILLER HPI 20-City Composite(SA) <u>M/M</u> <u>Y/Y</u> May 0.0% 3.6% June 0.0 3.5 July 0.6 4.0 CB CONSUMER CONFIDENCE <u>Total</u> <u>Current</u> <u>Expect</u> July 91.7 95.9 88.9 Aug 86.3 85.8 86.6 Sept 101.8 98.5 104.0	GROSS DOMESTIC PRODUCT 2nd Qtr (3rd estimate) <u>Real GDP</u> <u>Price Index</u> 2Q'19 1.5% 2.5% 3Q'19 2.6 1.5 4Q'19 2.4 1.4 1Q'20 -5.0 1.4 Q2'20(1 st) -32.9 -1.8 Q2'20(2 nd) -31.7 -2.0 Q2'20(3 rd) -31.4 -1.8 Sept ADP Employment Survey Sept Chicago PMI	PERSONAL <u>Income</u> <u>Spending</u> June -1.2% 6.5% July 0.5 1.5 Aug -2.7 1.0 ISM MFG INDEX July 54.2% Aug 56.0 Sept 55.4 CONSTRUCTION SPENDING June 1.0% July 0.7 Aug 1.4 Autos Light <u>Dom</u> <u>For</u> <u>Truck</u> <u>Total</u> July 2.8 1.0 10.7 14.5 Aug 3.0 1.1 11.1 15.2 Sept 3.1 1.2 12.0 16.3	EMPLOYMENT REPORT <u>U.Rate</u> <u>Jobs(000)</u> July 10.2% 1,761 Aug 8.4 1,489 Sept 7.9 661 MANUFACTURERS' <u>Ship</u> <u>Inv</u> <u>Orders</u> June 10.0% 0.5 6.4 July 4.7 -0.6 6.5 Aug 0.3 0.0 0.7 Sept U Mich Consumer Sentiment (final)
5	6	7	8	9
ISM NON-MFG INDEX July 58.1 Aug 56.9 Sept	TRADE BALANCE (\$B) June -\$53.5 July -\$63.6 Aug	CONSUMER CREDIT(\$B) June \$11.4 July \$12.2 Aug	Unemployment Claims (000) <u>June</u> <u>July</u> <u>Aug</u> <u>Sept</u> 1,566 1,310 1,191 893 1,540 1,308 971 866 1,482 1,422 1,104 873 1,408 1,435 1,011 837 884	
12	13	14	15	16
	CONSUMER PRICE INDEX <u>Total</u> <u>Core</u> July 0.6% 0.6% Aug 0.4 0.4 Sept	PRODUCER PRICE INDEX <u>Total</u> <u>Core</u> July 0.6% 0.3% Aug 0.3 0.3 Sept		RETAIL SALES <u>Total</u> <u>Ex-Autos</u> July 0.9% 1.3% Aug 0.6 0.7 Sept IND PROD CAP UTIL July 3.5% 71.1% Aug 0.4 71.4 Sept MFG and TRADE <u>Inv</u> <u>Sales</u> June -1.1% 8.6% July 0.1 3.2 Aug Sept Import Price Index Oct U Mich Consumer Sentiment (prelim)